the pit's mouth value to 10 percent of sale price on ad-valorem basis vide Government Gazette Notification GSR No. 214(E) dated 11.4.97, copy of which had been laid on the Table of the House on 5.5.97. This was based on the recommendations of the Study Group constituted by the Government of India in 1995 for revision of royalty on major minerals (other than Coal & Lignite).

The Study Group constituted in 1995 had detailed consultation with the State Goverments including the Government of Madhya Pradesh before finalising its recommendations. Based on the recommendations of the Study Group, the Government decided to reduce the royalty rate on diamond keeping in view the facts that (i) the royalty rate on diamond in many of the major diamond producing countries are 10% or less; (ii) diamond being the second largest mineral import in value terms, there is urgent need to locate new diamond resources in the country; (iii) potential resources of diamond in India are grossly under explored on account of inadequacy of capital; and (iv) suitable high technology input and lowering of the rate of royalty is expected to encourage larger capital investment and induction of state-of-art technology.

The Government of Madhya Pradesh has been urging the Central Government to restore the rate of royalty on diamonds to 20% but the Government have not found it feasible to accede to their request.

Study group report on coal royalty

†1456. SHRI SURESH PACHOURI: Will the Minister of MINES AND MINERALS be pleased to state:

(a) whether Central Government have received recommendations of the study group constituted to revise the rates of royalty on coal;

(b) if so, the details thereof;

(c) whether the new rates were to be notified by the Central Government by October, 1999; and

(d) if so, the reasons for delay in this regard and by when these rates would be notified?

†Original Notice of the Question was received in Hindi.

THE MINISTER OF STATE IN THE MINISTRY OF MINES AND MINERALS (PROF. RITA VERMA): (a) and (b) The existing coal royalty rates for six groups of coal were fixed on 11.10.94 on tonnage basis or on the basis of quantum (in tonnes) of coal produced in respect of the six groups. In order to consider the reasonableness of revision of the coal royalty rates fixed on 11.10.94, a Study Group was constituted on 28.1.97. The Study Group in its report submitted on 17.9.97 recommended changing the existing system of fixation of coal royalty rates from tonnage basis to ad-valorem basis and clubbing of the existing six groups of coal into two groups. The Study Group also recommended 25% ad-valorem rate of royalty for Group-I coals and 20% ad-valorem rate of royalty for Group-II coals.

(c) and (d) The legal provisions for payment of royalty on minerls including coal flow from the Mines & Minerals (Regulation & Development) Act, 1957. The proviso to Section 9(3) of the MMRD Act, 1957 stipulates that Central Government cannot enhance the rates of royalty on minerals, including coal, during any period of three years, but that does not enjoin upon the Central Government to enhance the royalty rate every three eyars. No fixed periodicity of either enhancing or revising the royalty rates on minerals, including coal, has been laid down in law. It is, therefore, perfectly legal for the Central Government to keep the royalty rates unchanged as was done during 1981—91.

The coal companies receive only about 40—45% of the landed price of coal on an average. The larger proportion of this price is on account of cost of railway freight and the various levies such as royalty, excise duty, cess and sales tax. As a consequence, Indian coal is getting priced out in several locations and consequently there is a sharp increase in the import of coal. The import on non-coking coal has increased more than 10 times from 1993-94. The State Electricity Boards and the State Government Power Companies/ Corporations are also struggling hard to make both ends meet. The steel industry is yet to get out of the depression. Any increase in royalty on coal at this stage may well deepen the crisis for the power sector, steel sector and the domestic coal sector. Therefore, a decision has been taken not to enhance the existing royalty rates on coal at this stage.